Commonwealth of Kentucky
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Gov. Beshear Ceremonially Signs Master Settlement Agreement Protection Bill to Preserve Investments in Agriculture

House Bill 512 provides funding stability for cancer research, early childhood development

FRANKFORT, Ky. (April 1, 2015) – Governor Steve Beshear today joined Kentucky's Attorney General and state lawmakers to ceremonially sign House Bill 512 that helps protect and preserve Kentucky's future Master Settlement Agreement (MSA) payments.

MSA payments support Kentucky's agricultural diversification programs, and provide critical health care and early childhood development services for all Kentuckians.

"The citizens of the Commonwealth have benefited greatly from the $1.75 billion in annual MSA payments received from tobacco manufacturers since joining the MSA." said Gov. Beshear. "Those sums have helped fund cancer research projects, have provided for critical health care and early childhood development services, and have played an important role in advancing Kentucky agriculture through the Kentucky Agricultural Development Fund (KADF). Attorney General Jack Conway's settlement and this important legislation help preserve and protect funding for these investments in the future."

"Last year, I secured a settlement in the case in which manufacturers were challenging Kentucky's past enforcement of the MSA," said Attorney General Jack Conway. "I was able to ensure we received $110.4 million in disputed payments and netted an additional $67.9 million for the Commonwealth. The health and education programs funded by the MSA are vital to our state and our communities. I appreciate the legislature and Gov. Beshear acting to provide additional enforcement provisions that will ensure Kentucky's payments for perpetuity."

Passage of HB 512, effective July 1, 2015, follows the June 2014 Settlement Agreement between Kentucky and tobacco manufacturers ending a long-running legal dispute over an enforcement obligation under the MSA and restoring certainty to Kentucky's annual MSA payments from tobacco companies.

The 2014 settlement, negotiated by Attorney General Jack Conway, resolved 10 years of disputed claims over those enforcement obligations and ensuing litigation, starting with the 2003 payments and running through 2012.

Through the KADF, more than $440 million in MSA funds has been invested in an array of county, regional and state projects designed to increase net farm income and create sustainable new farm-based business enterprises. Kentucky continues to make great strides toward lessening Kentucky's dependence on tobacco production while revitalizing the farm economy.

"House Bill 512 protects our agricultural development dollars which should be one of our highest priorities," said Rep. Rick Rand, of Bedford. "The investment of these dollars in our agriculture communities across the commonwealth has paid tremendous dividends in the growth and development of our rural economy in Kentucky."

"The KADF programs, both county and state programs, continue to transform and grow Kentucky agriculture," said Sen. Paul Hornback, of Shelbyville. "This legislation will be very important to the sustainability of these efforts in the future."

The provisions of HB 512 implement terms of the 2014 Settlement Agreement and broaden the responsibilities of all tobacco manufacturers, especially those manufacturers that are not signatories to the MSA, called Nonparticipating Manufacturers (or NPMs), who want to sell cigarettes in Kentucky, and also give the state new tools to enforce those enhanced and existing obligations.

"House Bill 512 helps to ensure that Kentucky's future MSA payments will be protected from costly litigation and provide stability to the critical programs funded by those payments," said Roger Thomas, executive director of the Governor's Office of Agricultural Policy. "The bipartisan support of this legislation indicates the importance of and the need for this measure."

The MSA is an agreement between 52 states and territories and the major tobacco companies signed in 1998 to settle and resolve a variety of legal claims asserted by the states against the tobacco companies. Legislation to implement the MSA in Kentucky was initially enacted in 2000, and subsequently has been amended from time to time.

Under the MSA, the participating tobacco manufacturers make annual payments to the states. In turn, states have enforcement obligations to ensure that any manufacturers that are not signatories to the agreement, or NPMs, do not circumvent the laws requiring escrow deposits. If a state is found to have not adequately fulfilled its enforcement obligations, then its MSA payments from the participating tobacco manufacturers may be reduced.

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